



Assemblymember Pedro Nava
Representing District 35

Environmental *Bulletin*

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Sizeable Majority of Californians Oppose Offshore Drilling *New Surveys Show Strong Support for Environmental Protection*

According to **a poll released by the Public Policy Institute of California (PPIC)** in late July, 59 percent of California voters now oppose increased off-shore oil drilling in California, up from 43 percent one year ago.

In addition to the PPIC poll, **a Los Angeles Times/USC poll from May** — shortly after BP's Deep Water Horizon disaster in the gulf began — also showed Californians opposed to further offshore drilling by 48 percent, with 41 percent in favor.

The polls revealed that, despite efforts by polluters and their public relations firms to create false choices between environmental protection and economic recovery, the majority of Californians support the state's efforts to combat global warming.

The PPIC poll showed 67 percent of Californians support AB 32 (the Global Warming Solutions Act of 2006) which requires the state to reduce its greenhouse gas emissions to 1990 levels by 2020. And 76 percent of Californians also support the regulation of emissions from power plants, cars, and factories.

"These polls show that protecting the environment and conserving natural resources are core values in the Golden State," said Assemblymember Nava.



In Light of Gulf Disaster, Californians Are Reminded Why New Drilling Off Our Coast is Still a Bad Idea

Looking back at the catastrophic disaster in the Gulf that began last April, we are reminded about the dirty, risky reality of offshore oil drilling. This terrible incident perfectly illustrates the need to continue our state's long-standing policy of opposing any new offshore oil drilling in California waters.

The narrow defeat of last year's ill-conceived Tranquillon Ridge proposal by the State Lands Commission and then by the State Legislature spared the coastal environment and economy of the increased risk it would've posed (**See Class I impacts in Santa Barbara County EIR**).

Proponents of the Tranquillon Ridge proposal argued that drilling could be stopped by the removal of the onshore facilities connected to the offshore platform. However, as we now know from BP's Deep Water Horizon disaster, floating

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production and storage facilities with capacities exceeding 85,000 barrels per day can be made available to offshore drilling sites such as Platform Irene.

In his continued efforts to fight offshore oil drilling, Assemblymember Pedro Nava has authored Assembly Joint Resolution 3, which calls for the end of offshore drilling off of the California Coast. AJR 3 is currently pending approval on the Senate Floor.

“Drilling off our coast is too risky,” said Nava. “Offshore oil and gas represents a tiny fraction of jobs and economic activity on our coast, yet it risks billions of dollars and tens of thousands of jobs that are dependent on healthy and scenic coastal oceans. It makes no sense to approve any new drilling off our coast.”

Stop Dawdling: The Time for an Oil Severance Tax is Now

By Susan Jordan
Director, California Coastal Protection Network

The oil companies know it and so do most legislators; most recoverable oil in California may be heavy crude but the financial deal these highly profitable companies have cut with California is about as sweet as it comes. The brainwashing the oil lobby has invested in for decades has effectively hamstrung California from righting its course and bringing it in line with every other major oil-producing state in the country. What we didn't know five years ago but we all know now is that California is the **ONLY** major oil producing state in the country **NOT** to have an oil severance tax. Whenever anyone has had the courage to demand such a tax finally be implemented (e.g. Prop. 87 in 2006), a hue and cry from the industry and their supporters rises up with a “sky is falling” rant that raises the dark specter of a rapid decline in existing domestic oil and gas production, lost jobs and the consumer favorite – higher gas prices.

“No other industry enjoys the array of tax breaks and subsidies that the oil and gas industry does. [And] No industry needs them less.”
— The New York Times



Nonsense. A careful analysis of these claims, such as the one done by Anthony Rubenstein, **“Refuting Oil Industry Lies about the California Severance Tax,”** and a review of the available literature clearly undercuts these arguments and underscores that it's high time to pass an oil severance tax and get on dealing with all the other intractable problems California faces in bringing its ongoing and massive budget deficit under control.

In terms of any “unfair” new tax burden that a severance tax might impose, Rubenstein demonstrates and others corroborate that the oil companies in California already pay well below the corporate state tax rate that other companies pay. Further, the oft-cited property taxes that they now pay are but a shadow of the property taxes they once paid before Prop. 13. According to Martin Gaffney in his paper, “A Severance Tax on California Oil” (July 2006), until Prop. 13, property taxes were used to generate revenue from oil and gas production in lieu of a severance tax. However, due to a loophole resulting from imprecise language in the initiative, the practicable result has been that the value of their assessed taxable property (i.e. proven reserves) has fallen far below the true market cost, not to mention that in many cases it is the landowner that pays the property taxes not the lessee. In other words, the oil companies inadvertently benefited from Prop. 13 and the shortfall to California's revenue side has not been made up.

As for hemorrhaging jobs, a study by the University of Berkeley, Center for Labor Research and Education entitled Budget Solutions and Jobs (March 2010) estimated that California could lose up to 300 jobs if an oil severance tax was instituted, but concluded that the loss of jobs generated by drastic cuts to In-Home Support Services, Healthy Families, Medi-Cal and CalWORKS would result in the loss of over 300,000 jobs – a thousand fold increase targeted at some of the most vulnerable in society with direct financial pain on main streets across our state.

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As for the specter of higher gas prices at the pump, we should all know by now that the price of gas is not determined by whether California has or doesn't have an oil severance tax; that price is set on the global market and is affected by political manipulations and geo-physical crises well beyond our control.

If the tragic Gulf oil spill has taught us anything it is that this is an industry that has run roughshod over regulators and amassed itself a dizzying array of outdated tax breaks, loopholes, royalty relief schemes, and offshore tax havens that have effectively limited the dollars they re-inject into the American economy. How is it that ExxonMobil, the largest corporation in the world paid NO federal taxes in 2009 and qualified for a \$156 million dollar refund? The same year, Chevron qualified for a federal tax refund of \$19 million. These inexplicable numbers from a scandal-ridden industry that has skirted regulatory and safety standards have prompted the Obama Administration to take a fresh critical look at not just the industry's drilling practices and safety procedures, but the tax and royalty policies (some in place since 1913) that enable these corporations to limit the amount of dollars they contribute to the American economy. Proposed for elimination are nine tax breaks including rapid write-offs for upfront drilling expenses and generous depletion allowances. The New York Times recently concluded that "No other industry enjoys the array of tax breaks and subsidies that the oil and gas industry does. [And] No industry needs them less."

It seems to me that if the Federal Government is ready to reassess its economic relationship with the oil industry by scrutinizing every tax break and subsidy they receive, it's high time that California dig in its heels and peel away the level of industry hysteria regarding the imposition of a simple and constitutionally sound oil severance tax.

If it means exposing this industry to the scrutiny that BP, Transocean and Halliburton are getting in the wake of the Gulf oil spill, then I think it's a fine time for the Legislature to set their sights on just exactly how this industry operates in California, exactly what tax loopholes and subsidies they currently receive and what impact those loopholes and subsidies have not just on their bottom line, but on our bottom line. I would also throw in the cost of monitoring, detecting and forcing clean up of their spills, the health costs that result from the air pollution they generate, the millions of dollars spent on direct and indirect lobbying of the Administration, the Legislature and assorted commissions that regulate them, and the financial savings they would walk away with if they are allowed to limit their liability and responsibility for removing their existing rigs off the California coast.

We do not need a narrow debate over a much-needed oil severance tax that ignores the totality of how oil companies operate in California. Instead we need a comprehensive assessment that examines all aspects of those operations. Should the Legislature appropriately decide to undertake such a thorough review, the oil companies might just wish they had come to the budget negotiating table early in the process and accepted a reasonable and way over due oil severance tax. By the way, I hear it's tax deductible.

For more, visit these links:

[Exxon Mobil's earnings more than double](#)

[Chevron Earnings Triple, Top Wall Street View](#)

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